

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)
JUNE 30, 1999 AND 1998

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Bernard & Franks
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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Crossroads Louisiana, Inc.
New Orleans, Louisiana

We have audited the consolidated statements of financial position of Crossroads Louisiana, Inc. (a nonprofit organization) as of June 30, 1999 and 1998 and the related consolidated statements of activities, consolidated statements of cash flows and consolidated statements of functional expenses for the years ended June 30, 1999 and 1998. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crossroads Louisiana, Inc. as of June 30, 1999 and 1998 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 15, 1999 on our consideration of Crossroads Louisiana, Inc.'s internal control structure and its compliance with laws and regulations.

December 15, 1999

Bernard & Franks

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1999 AND 1998

ASSETS	<u>1999</u>	<u>1998</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 299,617	\$356,650
Accounts receivable, trade	150,738	169,239
Due from officers	35,794	27,270
Due from affiliates	61,084	718
Other loans receivable	8,450	4,011
Prepaid expenses	<u>10,665</u>	<u>12,899</u>
Total current assets	<u>\$ 566,348</u>	<u>\$570,787</u>
 INVESTMENTS	 <u>\$ 326,072</u>	 <u>\$ 79,071</u>
 PROPERTY AND EQUIPMENT		
Equipment, furniture and fixtures	\$ 219,801	\$173,643
Leasehold improvements	260,193	218,770
Vehicles	<u>79,025</u>	<u>56,880</u>
	\$ 559,019	\$449,293
Accumulated depreciation and amortization	<u>(256,557)</u>	<u>(223,185)</u>
	<u>\$ 302,462</u>	<u>\$226,108</u>
 OTHER ASSETS		
Deposits	\$ 1,417	\$ 1,417
License to operate	<u>18,078</u>	<u>14,473</u>
	<u>\$ 19,495</u>	<u>\$ 15,890</u>
	 <u>\$1,214,377</u>	 <u>\$891,856</u>

The Notes to Financial Statements are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES		
Accounts payable, trade	\$ 54,579	\$ 44,869
Accrued expenses:		
Salaries and payroll taxes	61,611	56,541
Pension Plan	26,783	25,550
Other	10,620	10,837
Note payable - current	3,606	1,107
Notes payable - current maturities	10,211	17,242
Damage claim payable - current maturities	<u>15,600</u>	<u>15,600</u>
Total current liabilities	<u>\$ 183,010</u>	<u>\$171,746</u>
 LONG-TERM DEBT, less current maturities		
Notes payable	\$ 5,598	\$ 26,852
Deferred compensation	277,864	210,475
Deferred severance pay	37,500	30,000
Damage claim payable	<u>13,866</u>	<u>27,420</u>
	<u>\$ 344,828</u>	<u>\$294,747</u>
 NET ASSETS		
Unrestricted	<u>\$ 696,539</u>	<u>\$425,363</u>
Total net assets	<u>\$ 696,539</u>	<u>\$425,363</u>
	<u><u>\$1,214,377</u></u>	<u><u>\$891,856</u></u>

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended June 30, 1999 and 1998

UNRESTRICTED NET ASSETS

	<u>1999</u>	<u>1998</u>
Revenues, gains and support:		
Public support, government:		
Fees	\$2,060,164	\$1,850,080
Other income:		
Rents	92,999	95,112
Investment income (losses) and other	<u>79,610</u>	<u>(47,889)</u>
Total revenues, gains and support, unrestricted	<u>\$2,232,773</u>	<u>\$1,897,303</u>
Expenses:		
Program services		
Olivier Street Program	\$ 102,877	\$ 105,423
Arts Street Program	96,169	99,290
State Street Program	353,300	336,620
Toledano Street Program	228,541	224,978
Timberwood Street Program	110,388	100,394
Nunez Street Program	301,485	303,245
RHS	136,343	79,941
Hancock Street / Cher-Ami	<u>268,572</u>	<u>280,037</u>
Total program services	<u>\$1,597,675</u>	<u>\$1,529,928</u>
Supporting services		
Management and general	<u>\$ 363,922</u>	<u>\$ 330,808</u>
Total expenses	<u>\$1,961,597</u>	<u>\$1,860,736</u>
Increase in unrestricted net assets	\$ 271,176	\$ 36,567
Net assets, beginning of year	<u>425,363</u>	<u>388,796</u>
Net assets, end of year	<u>\$ 696,539</u>	<u>\$ 425,363</u>

The Notes to Financial Statements are an integral part of these statements.

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$271,176	\$ 36,567
Adjustments to reconcile net cash provided (used) by operating activities:		
Deferred compensation and severance pay plans	74,889	41,402
Depreciation and amortization	40,897	34,633
Unrealized loss (gain) on investments	(76,201)	49,417
(Increase) decrease in accounts receivable trade	18,501	27,412
(Increase) decrease in other receivables and advances	(73,330)	(4,451)
(Increase) decrease in prepaid expenses	2,234	6,008
Increase (decrease) in accounts payable, trade	9,710	5,599
Increase (decrease) in accrued expenses	6,086	(32,747)
Increase (decrease) in damage claims payable	<u>(13,554)</u>	<u>(12,824)</u>
Net cash provided by operating activities	<u>\$260,408</u>	<u>\$151,016</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	\$(134,780)	\$ (71,287)
(Purchases) sales of investments	(170,800)	19,085
(Purchase) of licenses to operate	(3,605)	(3,215)
Net book value of asset transferred to affiliate	<u>17,530</u>	<u>--</u>
Net cash used by investing activities	<u>\$(291,655)</u>	<u>\$ (55,417)</u>

(CONTINUED)

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)

Years Ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	\$ --	\$ 53,879
Payments on long-term borrowings, including transfer to affiliate	<u>(25,786)</u>	<u>(10,851)</u>
Net cash provided by (used in) financing activities	\$ <u>(25,786)</u>	\$ <u>43,028</u>
Net increase (decrease) in cash and cash equivalents	\$(57,033)	\$138,627
Cash and cash equivalents, beginning of year	<u>356,650</u>	<u>218,023</u>
Cash and cash equivalents, end of year	<u>\$299,617</u>	<u>\$356,650</u>
 SUPPLEMENTAL DISCLOSURES OF CASH INFORMATION		
CASH PAYMENTS FOR:		
Interest	\$ <u>2,825</u>	\$ <u>2,637</u>

The Notes to Financial Statements are an integral part of these financial statements.

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 1999

	Program Services				
	Olivier Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Street Program
Compensation & related expenses					
Compensation	\$ 59,848	\$ 59,030	\$156,007	\$ 87,974	\$ 67,726
Employee benefits					
Workers compensation	2,230	3,356	8,053	3,506	3,703
Pensions	2,992	2,951	7,800	4,398	3,386
Payroll taxes	4,784	4,727	12,474	7,033	5,412
Deferred compensation	--	--	--	--	--
Bed fees	--	--	21,068	21,222	--
Depreciation	3,367	572	9,729	4,304	2,034
Food	2,923	6,035	13,744	5,656	4,156
Occupancy					
Repairs, buildings	910	--	846	1,529	914
Repairs, furniture	78	70	110	832	1,968
Maintenance	1,541	--	1,513	--	2,066
Contract services	982	717	1,352	923	796
Lease rentals	14,929	9,000	8,100	17,500	8,400
Property taxes	--	--	--	15	--
Utilities	4,574	2,843	5,306	5,225	3,142
Local transportation	56	1,069	4,947	3,024	290
Miscellaneous	1,480	1,604	17,208	13,096	3,224
Professional services	243	194	68,717	43,518	1,250
Supplies	1,472	2,863	15,043	7,868	1,921
Telephone	<u>468</u>	<u>1,138</u>	<u>1,283</u>	<u>918</u>	<u>--</u>
	<u>\$102,877</u>	<u>\$ 96,169</u>	<u>\$353,300</u>	<u>\$228,541</u>	<u>\$110,388</u>

The Notes to Financial Statements are an integral part of these statements.

<u>Program Services</u>				Supporting Services Management & General	Grand Totals
<u>Nunez Street Program</u>	<u>Hancock Street Program</u>	<u>RHS Program</u>	<u>Program Totals</u>		
\$138,893	\$115,816	\$111,473	\$ 796,767	\$151,460	\$ 948,227
6,452	4,733	5,241	37,274	4,053	41,327
6,945	5,791	5,574	39,837	7,573	47,410
11,102	9,386	9,032	63,950	12,128	76,078
--	--	--	--	74,887	74,887
21,068	20,645	--	84,003	--	84,003
9,570	5,644	148	35,368	5,529	40,897
6,677	5,903	--	45,094	--	45,094
861	1,511	50	6,621	2,167	8,788
535	300	--	3,893	2,235	6,128
2,373	915	108	8,516	738	9,254
1,203	1,073	--	7,046	258	7,304
14,400	14,400	--	86,729	10,465	97,194
--	--	--	15	--	15
4,958	3,013	--	29,061	822	29,883
3,855	3,071	1,898	18,210	1,137	19,347
12,634	17,006	1,127	67,379	34,385	101,764
51,105	51,538	--	216,565	45,038	261,603
7,615	6,856	1,692	45,330	6,373	51,703
<u>1,239</u>	<u>971</u>	<u>--</u>	<u>6,017</u>	<u>4,674</u>	<u>10,691</u>
<u>\$301,485</u>	<u>\$268,572</u>	<u>\$136,343</u>	<u>\$1,597,675</u>	<u>\$363,922</u>	<u>\$1,961,597</u>

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 1998

	Program Services				
	Olivier Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Street Program
Compensation & related expenses					
Compensation	\$ 58,561	\$ 60,587	\$149,831	\$ 86,084	\$ 62,813
Employee benefits					
Workers compensation	2,664	3,763	8,614	4,166	3,558
Pensions	2,928	3,029	7,492	4,304	3,141
Payroll taxes	4,675	4,842	11,979	6,876	5,023
Deferred compensation	--	--	--	--	--
Bed fees	--	--	20,770	20,914	--
Depreciation	4,724	564	9,360	2,593	2,066
Food	2,854	5,183	12,450	5,830	2,667
Occupancy					
Repairs, buildings	299	656	1,452	2,513	2,060
Repairs, furniture	1,300	158	979	523	308
Maintenance	1,722	--	--	1,973	--
Contract services	802	811	1,356	1,120	820
Lease rentals	14,929	9,000	9,600	19,500	8,400
Utilities	5,537	3,289	4,901	4,731	3,333
Local transportation	18	1,193	5,012	3,648	747
Miscellaneous	1,543	2,116	17,880	13,118	2,007
Professional services	171	102	68,096	41,882	--
Supplies	2,191	3,399	6,126	4,457	2,639
Telephone	505	598	722	746	812
	<u>\$105,423</u>	<u>\$ 99,290</u>	<u>\$336,620</u>	<u>\$224,978</u>	<u>\$100,394</u>

The Notes to Financial Statements are an integral part of these statements.

<u>Program Services</u>				<u>Supporting Services Management & General</u>	<u>Grand Totals</u>
<u>Nunez Street Program</u>	<u>Hancock Street Program</u>	<u>RHS Program</u>	<u>Program Totals</u>		
\$135,323	\$117,497	\$ 62,909	\$ 733,605	\$160,424	\$ 894,029
7,636	6,223	4,054	40,678	5,790	46,468
6,766	5,875	3,145	36,680	8,021	44,701
10,811	9,402	5,038	58,646	11,670	70,316
--	--	--	--	46,854	46,854
20,664	21,068	--	83,416	--	83,416
7,841	4,679	148	31,975	2,656	34,631
5,680	8,523	4	43,191	--	43,191
279	1,727	35	9,021	905	9,926
21	250	272	3,811	379	4,190
1,509	209	206	5,619	215	5,834
1,163	--	--	6,072	187	6,259
17,400	15,900	--	94,729	10,465	105,194
5,501	3,832	--	31,124	551	31,675
4,847	4,042	2,194	21,701	2,244	23,945
14,632	21,954	671	73,921	25,320	99,241
59,442	54,390	150	224,233	48,606	272,839
2,934	3,533	579	25,858	2,340	28,198
<u>796</u>	<u>933</u>	<u>536</u>	<u>5,648</u>	<u>4,181</u>	<u>9,829</u>
<u>\$303,245</u>	<u>\$280,037</u>	<u>\$ 79,941</u>	<u>\$1,529,928</u>	<u>\$330,808</u>	<u>\$1,860,736</u>

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Operations

Crossroads Louisiana, Inc. is a nonprofit corporation which provides residential treatment services for the psychologically handicapped in the New Orleans area and is substantially funded by the State of Louisiana and Federal Medicaid payments.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by this new Statement, the Organization has discontinued its use of fund accounting for external reporting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

At present, all of the Organizations funds are included in the Unrestricted category. Should the Organization receive funds that are donor restricted or should the Board of Directors decide to make some funds restricted, they would be classified as required by the new Statement.

Consolidated Financial Statements

Following the guidance of Statement of Position 94-3, the financial statements include the accounts of the Organization and the accounts of Cher-Ami Homes of Gretna, LA., Inc. The Organization obtained control of the Cher-Ami Home early in the 1996 fiscal year and has assumed control of its operations. All significant intercompany transactions and accounts are eliminated in consolidation. In the Statement of Functional Expenses, the operations of Cher-Ami Homes are labeled Hancock Street.

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Equipment and Improvements

Equipment and improvements are carried at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. The fair value of donated property is similarly capitalized.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Revenues

Most of the programs are reimbursed on a per diem rate based on costs and budgets reviewed annually by the State of Louisiana.

Some programs are funded by the State on a monthly basis as expenses are incurred. However, expense categories are capped by an approved budget.

At the conclusion of a grant award period, the Organization is liable to the State granting agency for the excess of program revenues over allowable costs on old grants funded in advance. Such amounts, if any, may be encumbered for allowable program costs in the next succeeding period or returned to the granting agency, at the option of such agency.

(Continued)

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenues (Continued)

Some funding is also derived from reimbursement charges to clients, who have the ability to pay for services rendered and from solicitations of public contributions.

During the current fiscal year, two vans having a market value of \$47,200 were donated to the Organization. This amount is included in Revenues for 1999.

Retirement Plan

The organization has a non-contributory defined contribution retirement plan covering substantially all of its employees. The organization's policy is to fund the retirement cost accrued on a current basis.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications based on State of Louisiana Rate Setting classifications. Shared expenses are allocated among programs based on portion of direct expenses by program to total expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Allowance For Doubtful Accounts

Since all accounts receivables, trade are due from governmental agencies, no allowance for doubtful accounts is considered necessary. Any billing adjustments needed are made in the year determined. Any refunds of over billing or cost adjustments due are netted against the accounts receivable account. At June 30, 1999 and 1998, approximately \$104,000 and \$84,000 respectively, of "Extraordinary Cost Overbillings" have been netted against accounts receivable. These overbillings will be deducted from remittances due from the State and therefore have been netted from the related receivables.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of operating funds maintained in checking and operating accounts. Any investments in money market accounts, certificates of deposit or other investments and maturities of three months or less would also be considered cash and cash equivalents. Investments of longer terms would be classified as Investments.

Note 2. Due from Officer

The amount due from officers represents unsecured advances to officers. No interest payments are required.

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 3. Property and Equipment

Property and equipment consist of the following:

	<u>1999</u>	<u>1998</u>	<u>Depreciation/ Amortization- Annual Rates</u>
Leasehold improvements	\$260,193	\$218,770	5-20 percent
Equipment, furniture and fixtures	219,801	173,643	20 percent
Vehicles	<u>79,025</u>	<u>56,880</u>	20 percent
	<u>\$559,019</u>	<u>\$449,293</u>	

Depreciation and amortization expense charged to income was \$40,897 for 1999 and \$34,633 for 1998.

Note 4. Investments

The Organization's investments at June 30, 1999 and 1998 consist of shares of various mutual funds. The investments are being held primarily to fund the obligations due on the deferred compensation plan and the severance plan obligation.

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
<u>1999</u>			
Mutual Funds	<u>\$299,286</u>	<u>\$326,072</u>	<u>\$ 26,786</u>
<u>1998</u>			
Mutual Funds	<u>\$128,488</u>	<u>\$ 79,071</u>	<u>\$(49,417)</u>

(Continued)

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 4. Investments (Continued)

Investment income for 1999 and 1998 is summarized as follows:

	<u>1999</u>	<u>1998</u>
Dividend income, fees	\$ 3,407	\$ 2,385
Realized gains and (losses), net	--	(1,333)
Unrealized gains and (losses), net	<u>76,203</u>	<u>(49,417)</u>
	<u>\$ 79,610</u>	<u>\$ (48,365)</u>

Note 5. Long-Term Debt and Current Maturities

Long-term debt and current maturities consisted of the following at June 30, 1999:

	<u>Current</u>	<u>Long-Term</u>
Note payable finance company, dated 9/1/97, in the original amount of \$7,371 and payable in 36 monthly payments of \$249. Note bears interest at 13% and is secured by equipment.	\$ 2,694	\$ 935
Note payable to bank, dated 12/15/97, in the original amount of \$21,453 and payable in 36 monthly payments of \$700. Note bears interest at 10.8% and is secured by equipment.	<u>7,517</u>	<u>4,663</u>
Totals	<u>\$ 10,211</u>	<u>\$ 5,598</u>

(Continued)

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 5. Long-Term Debt and Current Maturities (Continued)

Interest expense on all notes amounted to \$2,825 for 1999 and \$2,637 for 1998.

The aggregate long-term debt maturity during the next five years is as follows:

2000	<u>\$ 10,211</u>
2001	<u>\$ 5,598</u>

Long-term debt and current maturities consisted of the following at June 30, 1998:

	<u>Current</u>	<u>Long-Term</u>
Note payable finance company, dated 9/1/97, in the original amount of \$7,371 and payable in 36 monthly payments of \$249. Note bears interest at 13% and is secured by equipment.	\$ 2,365	\$ 3,403
Note payable bank, dated 9/11/97, in the original amount of \$25,054 and payable in 36 monthly payments of \$805. Note bears interest at 9.73% and is secured by equipment.	8,126	11,330
Note payable to bank, dated 12/15/97, in the original amount of \$21,453 and payable in 36 monthly payments of \$700. Note bears interest at 10.8% and is secured by equipment.	<u>6,751</u>	<u>12,119</u>
Totals	<u>\$ 17,242</u>	<u>\$ 26,852</u>

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 6. Leases

The Organization leases its administrative and residential facilities under various lease agreements.

The Cleary Street administrative office is leased from an officer of the Organization. The lease term began on July 1, 1998 and ends on June 30, 2003 and payment is based on actual interest, real estate taxes, depreciation and repairs in accordance with State of Louisiana Rate Setting Administration requirements. Total lease expense for the property was \$3,000 for each of the years 1999 and 1998.

The Olivier Street facility is leased from an officer of the Organization. This lease term began on July 1, 1998 and ends on June 30, 2003 and payment is based on fair market value. Total lease expense for the property totaled \$22,394 for each of the years 1999 and 1998. One third of the facility is used for administration and the other two thirds as a residential facility.

The Nunez Street facility is leased from an officer of the Organization for \$1,200 per month.

The Hancock Street residential facility is leased from an officer of the Organization on a monthly basis for \$1,200 per month. The lease term began on July 1, 1998 and ends on June 30, 2003.

The State Street residential facility is leased for a five year and nine months term commencing February 1, 1995 and ending October 31, 2000. The monthly payment is adjusted annually for inflation and certain cost increases. The current payment is \$675 per month.

(Continued)

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 6. Leases (Continued)

The Toledano Street residential facility is leased for a three year term commencing September 1, 1995 and ending August 31, 1998. The monthly payment is \$1,125.

The facility on Timberwood is leased from an officer of the Organization for \$700 per month.

The Arts Street residential facility is leased at a monthly rental of \$750. The lease term began April 1, 1996 and ends on March 1, 1999.

The Toledano facility rents a van which is owned by an officer of the Organization for \$500 per month. Total van rentals for the year totaled \$4,000 for 1999 and \$12,000 for 1998.

Rental expense for all facility leases totalled \$97,194 and \$105,194 for the years ended June 30, 1999 and 1998.

The following is a schedule of the future minimum lease payments for lease contracts, assuming that all the leases are extended to June 30, 2003.

Year Ending June 30,

2000	\$ 93,194
2001	93,194
2002	93,194
2003	<u>93,194</u>
	<u>\$372,776</u>

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 7. Retirement Plan

The Organization has a non-contributory defined contribution retirement plan which covers substantially all of its employees.

Contributions to the defined contribution retirement plan are determined at the discretion of the Organization's Board of Directors. Contributions were determined to be 5% of each employee's compensation for the years ended June 30, 1999 and 1998. The expense totaled \$47,410 and \$44,701 for the years 1999 and 1998. The plan is funded currently.

Note 8. Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Note 9. Officers Compensation

Officers compensation was as follows for the years ended June 30, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Executive Director	\$ 40,154	\$ 61,404
Assistant Director	<u>45,173</u>	<u>43,176</u>
	<u>\$ 85,327</u>	<u>\$104,580</u>

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 10. Related Party Transactions

The Organization paid Job Link, Inc. approximately \$205,000 in 1999 and \$199,000 in 1998 in fees for professional services. Job Link, Inc. provides job development services for group home programs in accordance with State of Louisiana regulations. Job Link, Inc. is owned by members of the Organization's Board of Directors. At June 30, 1999 and 1998, \$61,084 and \$718, respectively, was due from Job Link, Inc. and is shown in Due From Affiliates.

The Organization also leases some property and equipment from an officer. See Note 6 for details.

During September, 1995 the Organization took over control of the operations of the Cher-Ami Homes of Gretna, LA., Inc. Cher-Ami's major assets consisted of its contract with the State of Louisiana and the related accounts receivable. Cher-Ami also had past due payroll taxes of \$29,000 and a damage claim payable in the amount of \$93,200. At June 30, 1999, Cher-Ami owes approximately \$15,000 in payroll taxes and the damage claim amount is \$29,466. The damage claim is being paid off in 60 monthly payments of \$1,300. This damage claim has been recorded at its net present value and \$15,600 of the claim has been classified as current. The intercompany account of \$128,696 and \$113,091 at year ends 1999 and 1998 has been eliminated in consolidation.

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 11. Deferred Compensation Agreement

The Organization has entered into a deferred compensation agreement with one of its officers effective July 1, 1993. The agreement provides that upon reaching age 65, the officer will receive monthly compensation commencing with retirement and continuing for the rest of his life. The monthly payment is calculated to be (1/12) one twelfth of his deferred payment amount which will be equal to the average of his highest 3 consecutive calendar years compensation including bonuses. In the event of his death, on or after the participant's Normal Retirement Date, the participant's designated beneficiary shall be paid a death benefit equal to the present value of the future payments to which the participant would have been entitled. The liability related to this agreement is being accrued to age 65. The amount charged to expense totaled \$74,887 and \$39,354 for the years ended June 30, 1999 and 1998. The total liability under the agreement as of June 30, 1999 is approximately \$278,000.

The Organization's actuary has calculated that eight annual installments of \$39,354 payable at the end of each fiscal year from July 1, 1996 through July 1, 2002 will be needed to fund the plan obligation. An additional accrual of \$28,000 was made in year ended June 30, 1999.

The Organization also has an employment agreement with one of its officers which calls for the payment to her or her beneficiary the total in the Severance Pay account. The Organization shall set aside in a segregated corporate account the lesser of \$7,500 or 20% of the officer's regular salary into this Severance Pay account. The amount charged to expense in June 30, 1999 and 1998 amounted to \$7,500 for each year.

The Organization has invested \$326,072 in mutual funds to provide funding for these two agreements. These funds are available to the Organization's general creditors. At June 30, 1998 the plan was under-funded by approximately \$132,000. At June 30, 1999 the plan was fully funded.

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Note 12. Contingencies

At June 30, 1999, the Organization had approximately \$42,000 in cash deposits in major banks in excess of the \$100,000 limit insured by the Federal Deposit Insurance Corporation. The average outstanding cash balances at the banks is normally below the insured limits and therefore the Organization's loss exposure is minimal.

SUPPLEMENTARY INFORMATION

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**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors
Crossroads Louisiana, Inc.
New Orleans, Louisiana

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bernard & Franks

December 15, 1999

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

CONSOLIDATED STATEMENT OF ACTIVITIES AND
FUNCTIONAL EXPENSES BY PROGRAM
For the Year Ended June 30, 1999

	Program Services				
	Olivier Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Street Program
Revenues:					
Public support, fees	\$129,661	\$110,779	\$427,979	\$302,894	\$118,004
Other revenues:					
Rents	6,131	8,501	29,305	20,762	--
Investment income	--	--	--	--	--
Other	--	--	--	--	--
Total revenues	<u>\$135,792</u>	<u>\$119,280</u>	<u>\$457,284</u>	<u>\$323,656</u>	<u>\$118,004</u>
Compensation & related expenses:					
Compensation	\$ 59,848	\$ 59,030	\$156,007	\$ 87,974	\$ 67,726
Employee benefits:					
Insurance	2,230	3,356	8,053	3,506	3,703
Pensions	2,992	2,951	7,800	4,398	3,386
Payroll taxes	4,784	4,727	12,474	7,033	5,412
Deferred compensation	--	--	--	--	--
Bed fees	--	--	21,068	21,222	--
Depreciation	3,367	572	9,729	4,304	2,034
Food	2,923	6,035	13,744	5,656	4,156
Occupancy					
Repairs, buildings	910	--	846	1,529	914
Repairs, furniture	78	70	110	832	1,968
Maintenance	1,541	--	1,513	--	2,066
O/S Service	982	717	1,352	923	796
Lease rentals	14,929	9,000	8,100	17,500	8,400
Property taxes	--	--	--	15	--
Utilities	4,574	2,843	5,306	5,225	3,142
Local transportation	56	1,069	4,947	3,024	290
Miscellaneous	1,480	1,604	17,208	13,096	3,224
Professional services	243	194	68,717	43,518	1,250
Supplies	1,472	2,863	15,043	7,868	1,921
Telephone	468	1,138	1,283	918	--
Total direct program costs	<u>\$102,877</u>	<u>\$ 96,169</u>	<u>\$353,300</u>	<u>\$228,541</u>	<u>\$110,388</u>
Management & general allocation	<u>\$ 20,677</u>	<u>\$ 19,329</u>	<u>\$ 71,011</u>	<u>\$ 45,935</u>	<u>\$ 24,824</u>
Change in unrestricted net assets	<u>\$ 12,238</u>	<u>\$ 3,782</u>	<u>\$ 32,973</u>	<u>\$ 49,180</u>	<u>\$ (17,208)</u>

The Notes to Financial Statements are an integral part of these statements.

<u>Program Services</u>				<u>Supporting Services Management & General</u>	<u>Grand Totals</u>
<u>Nunez Street Program</u>	<u>Hancock Street Program</u>	<u>RHS Program</u>	<u>Program Totals</u>		
\$387,103	\$318,645	\$204,999	\$2,000,064	\$ 60,100	\$2,060,164
9,564	18,736	--	92,999	--	92,999
--	--	--	--	79,610	79,610
--	--	--	--	--	--
<u>\$396,667</u>	<u>\$337,381</u>	<u>\$204,999</u>	<u>\$2,093,063</u>	<u>\$ 139,710</u>	<u>\$2,232,773</u>
\$138,893	\$115,816	\$111,473	\$ 796,767	\$151,460	\$ 948,227
6,452	4,733	5,241	37,274	4,053	41,327
6,945	5,791	5,574	39,837	7,573	47,410
11,102	9,386	9,032	63,950	12,128	76,078
--	--	--	--	74,887	74,887
21,068	20,645	--	84,003	--	84,003
9,570	5,644	148	35,368	5,529	40,897
6,677	5,903	--	45,094	--	45,094
861	1,511	50	6,621	2,167	8,788
535	300	--	3,893	2,235	6,128
2,373	915	108	8,516	738	9,254
1,203	1,073	--	7,046	258	7,304
14,400	14,400	--	86,729	10,465	97,194
--	--	--	15	--	15
4,958	3,013	--	29,061	822	29,883
3,855	3,071	1,898	18,210	1,137	19,347
12,634	17,006	1,127	67,379	34,385	101,764
51,105	51,538	--	216,565	45,038	261,603
7,615	6,856	1,692	45,330	6,373	51,703
1,239	971	--	6,017	4,674	10,691
<u>\$301,485</u>	<u>\$268,572</u>	<u>\$136,343</u>	<u>\$1,597,675</u>	<u>\$363,922</u>	<u>\$1,961,597</u>
\$ 60,597	\$ 53,440	\$ 27,404	\$ 323,217	\$(323,217)	\$ --
<u>\$ 34,585</u>	<u>\$ 15,369</u>	<u>\$ 41,252</u>	<u>\$ 172,171</u>	<u>\$ 99,005</u>	<u>\$ 271,176</u>

CROSSROADS LOUISIANA, INC.
(A NONPROFIT ORGANIZATION)

CONSOLIDATED STATEMENT OF ACTIVITIES AND
FUNCTIONAL EXPENSES BY PROGRAM
For the Year Ended June 30, 1998

	Program Services				
	Olivier Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Street Program
Revenues:					
Public support, fees	\$128,359	\$119,118	\$388,619	\$275,631	\$118,004
Other revenues:					
Rents	6,106	13,601	28,971	20,166	--
Investment income	--	--	--	--	--
Other	--	9	--	--	--
Total revenues	<u>\$134,465</u>	<u>\$132,728</u>	<u>\$417,590</u>	<u>\$295,797</u>	<u>\$118,004</u>
Compensation & related expenses:					
Compensation	\$ 58,561	\$ 60,587	\$149,831	\$ 86,084	\$ 62,813
Employee benefits:					
Insurance	2,664	3,763	8,614	4,166	3,558
Pensions	2,928	3,029	7,492	4,304	3,141
Payroll taxes	4,675	4,842	11,979	6,876	5,023
Deferred compensation	--	--	--	--	--
Bed fees	--	--	20,770	20,914	--
Depreciation	4,724	564	9,360	2,593	2,066
Food	2,854	5,183	12,450	5,830	2,667
Occupancy					
Repairs, buildings	299	656	1,452	2,513	2,060
Repairs, furniture	1,300	158	979	523	308
Maintenance	1,722	--	--	1,973	--
O/S Service	802	811	1,356	1,120	820
Lease rentals	14,929	9,000	9,600	19,500	8,400
Utilities	5,537	3,289	4,901	4,731	3,333
Local transportation	18	1,193	5,012	3,648	747
Miscellaneous	1,543	2,116	17,880	13,118	2,007
Professional services	171	102	68,096	41,882	--
Supplies	2,191	3,399	6,126	4,457	2,639
Telephone	505	598	722	746	812
Total direct program costs	<u>\$105,423</u>	<u>\$ 99,290</u>	<u>\$336,620</u>	<u>\$224,978</u>	<u>\$100,394</u>
Management & general allocation	<u>\$ 22,491</u>	<u>\$ 21,183</u>	<u>\$ 71,816</u>	<u>\$ 47,998</u>	<u>\$ 24,161</u>
Change in unrestricted net assets	<u>\$ 6,551</u>	<u>\$ 12,255</u>	<u>\$ 9,154</u>	<u>\$ 22,821</u>	<u>\$ (6,550)</u>

The Notes to Financial Statements are an integral part of these statements.

<u>Program Services</u>				Supporting	
<u>Nunez</u>	<u>Hancock</u>	<u>RHS</u>	<u>Program</u>	<u>Services</u>	<u>Grand</u>
<u>Street</u>	<u>Street</u>	<u>Program</u>	<u>Totals</u>	<u>Management</u>	<u>Totals</u>
<u>Program</u>	<u>Program</u>			<u>& General</u>	
\$365,610	\$324,239	\$130,501	\$1,850,080	\$ --	\$1,850,080
9,975	16,292	--	95,112	--	95,112
--	--	--	--	(48,365)	(48,365)
--	--	--	9	467	476
<u>\$375,585</u>	<u>\$340,531</u>	<u>\$130,501</u>	<u>\$1,945,201</u>	<u>\$ (47,898)</u>	<u>\$1,897,303</u>
\$135,323	\$117,497	\$ 62,909	\$ 733,605	\$160,424	\$ 894,029
7,636	6,223	4,054	40,678	5,790	46,468
6,766	5,875	3,145	36,680	8,021	44,701
10,811	9,402	5,038	58,646	11,670	70,316
--	--	--	--	46,854	46,854
20,664	21,068	--	83,416	--	83,416
7,841	4,679	148	31,975	2,656	34,631
5,680	8,523	4	43,191	--	43,191
279	1,727	35	9,021	905	9,926
21	250	272	3,811	379	4,190
1,509	209	206	5,619	215	5,834
1,163	--	--	6,072	187	6,259
17,400	15,900	--	94,729	10,465	105,194
5,501	3,832	--	31,124	551	31,675
4,847	4,042	2,194	21,701	2,244	23,945
14,632	21,954	671	73,921	25,320	99,241
59,442	54,390	150	224,233	48,606	272,839
2,934	3,533	579	25,858	2,340	28,198
796	933	536	5,648	4,181	9,829
<u>\$303,245</u>	<u>\$280,037</u>	<u>\$ 79,941</u>	<u>\$1,529,928</u>	<u>\$330,808</u>	<u>\$1,860,736</u>
<u>\$ 64,695</u>	<u>\$ 61,411</u>	<u>\$ 17,055</u>	<u>\$ 330,808</u>	<u>\$(330,808)</u>	<u>\$ --</u>
<u>\$ 7,645</u>	<u>\$ (916)</u>	<u>\$ 33,505</u>	<u>\$ 84,465</u>	<u>\$ (47,898)</u>	<u>\$ 36,567</u>

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To the Board of Directors
Crossroads Louisiana, Inc.
New Orleans, Louisiana

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Crossroads Louisiana, Inc. as of and for the year ended June 30, 1999, and have issued our report thereon dated December 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Crossroads Louisiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Crossroads Louisiana, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Crossroads Louisiana, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable conditions noted are described in the accompanying Schedule 2 - Reportable Condition - Financial Statements - Current Year.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Directors, management and State of Louisiana and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Bernard + Franks

December 15, 1999

CROSSROADS LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1999

SUMMARY OF AUDIT RESULTS

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. Reportable conditions disclosed during the audit of the financial statements are reported in Schedule # 2 which follows. None of the reportable conditions are considered to be material weaknesses.
3. No instances of noncompliance considered to be material to the financial statements were disclosed by the audit.
4. No management letter was issued during this period.
5. There were no major programs during this year and therefore Crossroads Louisiana, Inc. was not subject to OMB Circular A-133.
6. The threshold for distinguishing Types A and B programs was \$300,000. There were no major program this year.
7. Crossroads Louisiana, Inc. was not determined to be a low-risk auditee.

CROSSROADS LOUISIANA, INC.
REPORTABLE CONDITIONS - FINANCIAL STATEMENTS - CURRENT YEAR
YEAR ENDED JUNE 30, 1999

In small organizations, such as Crossroads Louisiana, Inc., proper separation of duties are difficult to maintain because of the limited number of people involved in the processing of transactions. Also, the cost-benefit relationship must be considered in implementing additional separation of the existing duties. Separation of duties means the flow of a transaction should be designed so that the work done by one individual is either independent of or serves as a check on, the work of another. A separation of duties weakness exists in the cash disbursement area of the accounting system in that the same person prepares the checks, signs and mails the checks, and performs the bank reconciliation procedures.

CROSSROADS LOUISIANA, INC.
SUMMARY OF PRIOR YEAR'S AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999

Our prior year's audit findings included a reportable condition stating that separation of duties weakness exists in our cash disbursement areas of our accounting system.

We are still trying to economically solve the separation of duties weakness in the cash area. See current year's findings for more details.

The above separation of duties weakness has been reported on for several years because of the small size of our accounting staff.

CROSSROADS LOUISIANA, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS
YEAR ENDED JUNE 30, 1999

In order to correct the present separation of duties weakness in the cash area of our accounting system, we are considering making the following changes in our system:

1. Having one of our Directors sign all checks after they are prepared.
2. Having someone other than the preparer of the check, mail the checks.
3. Having our outside CPA prepare the monthly bank reconciliations.

There are still some cost and logistic problems that must be worked out before reaching a final solution to this problem.

Dr. Gerald Murphy will be the contact person in making the final decisions. We plan to have the new system in place in early 2000.